



PFFS As a Tool to Help Battle the Rising Costs of Health Care

January 21-23, 2009




Advantra Freedom
from Coventry Health Care

1



Overview

2



Medicare Overview

- **Traditional Medicare**
 - Part A - Hospital Insurance
 - Part B - Hospital Outpatient Surgery and Physician Service
- **Medicare Advantage (including HMO, PPO, PFFS)**
 - Full replacement for Parts A & B
 - Administered by Private Insurance Companies
 - May include prescription drugs (Part D)
 - CMS pays a monthly premium to each carrier
 - Member has same rights and protections as traditional Medicare
 - Often includes supplement benefits at little or no additional cost

3

Private Fee-for-Service Basics



- PFFS is a Medicare Advantage Plan
- Replaces traditional Medicare and provides coverage for Part A and Part B services, plus other supplemental benefits not covered by traditional Medicare
- Flexibility in Benefit Design for Large Groups
- Administered by Private Insurance Carriers
- CMS pays a premium to the carrier, and pays the same rate to all carriers

4

Why It's Attractive Now



- CMS reimbursement is generous providing carriers the opportunity to enhance benefits and reduce cost
- Many employers will benefit through a reduction in post-employment health care liability - GASB
- No Hospital or Physician Network Restrictions until 2011 if they accept the Plan's Terms and Conditions
- First "National" Retiree Solution
- Enhanced Clinical and Disease Management Resources
- Provides "One Stop Shop" for Retirees

5

Total Medicare Advantage Contracts Nationwide



<u>Product</u>	<u>Number of Contracts</u>
Local HMO	5,772,656
Local PPO	511,012
Regional PPO	226,252
PFFS	1,648,065
MSA	1,248

Source: MPR analysis of CMS data for the Kaiser Family Foundation

6

From a GASB perspective Historical Perspective



- Government entities often provide generous health care benefits to retirees
- Funding has historically not been provided at the time promised or earned (i.e., while the employee is actively at work)
- Most governments have taken the “pay as you go” approach, waiting until employee is retired and receiving benefit
- The pay as you go approach has resulted in budget concerns for many states

7

What it means to government entities Accounting for postretirement benefits



- Defined postretirement benefits are earned during an employee's active service
- Accounting principles require a government entity recognize those costs when incurred – not later when cash is actually spent
- Accrual/liability is based on actuarial estimates of the future obligation and can be very large
- To the extent an MA product reduces the government entity's cost, the balance sheet improves (as do bond ratings)
- Accounting treatment is not new for non-government entities
- Government entities must record liability beginning in 2007 (some analysts estimate total liability for all governments will approach \$1 trillion)

8

Retiree Health Care Statistics



Survey of Employers on Retiree Health Benefits

- 75% of these employers are not currently pre-funding retiree health care obligations
- Between 1988 and 2006 the share of large employers offering retiree health benefits declined from 66% to 35%.
- Average increase in retiree contributions to premiums for post-65 retirees was 9.6% (for largest firms surveyed).
- By 2010, 44% of firms surveyed said they are very or somewhat likely to offer Medicare Advantage plans.

Source: Kaiser/Hewitt 2006 Survey on Retiree Health Benefits
(Large, Private Sector Employers, 1,000+ Employees)

9

What it means to a member



- Member must pay Part B premium to CMS in order to participate.
- Member may also have a premium to pay to the employer, depending on benefit design, CMS revenue and any employer contribution.
- Members are not restricted to network providers. They may see any Medicare-approved physician or hospital who is willing to give care and accept the Plan's payment.

10

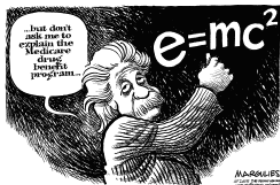
What it means to providers




- Provider is "deemed" and is treated as having a contract until 2011 if:
 - Services are covered under the Plan
 - Provider knows beneficiary is PFFS member
 - Provider had reasonable opportunity to obtain information about the terms and conditions of payment under the Plan
- Providers are paid same as traditional Medicare
 - Medicare rates and edits apply
 - Providers may not balance bill members if they accept assignment from traditional Medicare
 - Providers have to accept the Plan's terms and conditions

11

Clinical and Member Services



12

Clinical Programs 


Goals

- Educate and empower members toward self-management
- Prevent acute episodes through targeted interventions
- Support and educate providers through evidence-based guidelines

Clinical Programs - Examples


- Nurse Info Line Services, 24/7
- Fall and Fracture Program
- End of Life Program
- Retrospective Review
- Disease Management
- Complex Case Management
- Case Management
- Advantra®ForeverFit
- Preventive/Wellness Programs
- Health Risk Assessment (HRA)
- Predictive Modeling
- Social Worker Support
- Member Centered Congestive Heart Program

13

Disease Management 

- Coronary Artery Disease (CAD)
- Congestive Heart Failure (CHF)
- End Stage Renal Disease (ESRD)
- Diabetes
- Chronic Obstructive Pulmonary Disease (COPD)

14

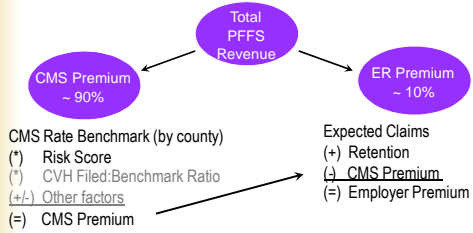
Underwriting Methodology 

15

Private Fee-for-Service



With PFFS, there are two "streams" of premium contributions – one from CMS, the other from the Employer



16



PFFS As a Tool to Help Battle the Rising Costs of Health Care

January 21-23, 2009



17
